



Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act

President Obama signed into law the "Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act" repealing 1099 requirements that would have taken effect in 2011 and 2012.

What was repealed?

Beginning in 2011 rental property ownership would have been considered a "business" for 1099 purposes. Therefore, all property owners would have been required to issue 1099s to any unincorporated service provider when payments equaled or exceeded \$600. In 2012, property owners would have been required to comply with the 2012 1099 rules.

Beginning in 2012 all businesses would have been required to issue a 1099 when payments equal or exceed \$600 in a calendar year regardless of whether payments were for purchases of goods or services, and regardless of the corporate status of the payee.

Where we stand now:

Businesses that purchase services from unincorporated independent contractors must report on Form 1099-Misc the total amount paid when payments equal or exceed \$600 in a calendar year.

Commissions, fees, and other forms of compensation paid to an unincorporated payee when the total amount paid is \$600 or more during the year must be reported on Form 1099-Misc.

The total amount paid for legal services, when the amount of payments is \$600 or more in a year, must be reported on Form 1099-Misc, even if the payee is incorporated.

What did not get repealed?

The new 1099 rules included increased penalties for failing to file a proper 1099 with the government. This portion of the legislation did not get repealed. Therefore, every instance in which a taxpayer was required to, but did not file a 1099 the government can assess a penalty of \$200 or more.

If you know that you have compliance deficiencies, the harsher penalties are an encouragement to reevaluate your 1099 procedures. The IRS recommends that all businesses obtain a W9 form from service contractors prior to issuing payment. That way you will have the required information before it is time to file the 1099s. Form W9 can be found on the IRS website www.irs.gov under forms and instructions.